

**SUMMARY OF PROPOSED COMMITTEE DRAFT:**  
**Bill 58 (2017), CD1**  
**ESTABLISHING AN AFFORDABLE HOUSING REQUIREMENT.**

**PROPOSED CD2** makes the following amendments to Bill 58 (2017), CD1:

- A. In SECTION 1 of the bill: (1) adds reference to payment of an in-lieu fee or the provision of improved land as options to satisfy the affordable housing requirement; and (2) clarifies that for-rental affordable units must remain affordable for at least 30 years, and for-sale affordable units must remain affordable for varying periods based on the percentage of the total number of dwelling units in the principal project being provided.
- B. In Section \_\_-1.1 ("Purpose"): (1) adds reference to payment of an in-lieu fee or the provision of improved land as options to satisfy the affordable housing requirement, and (2) removes reference to the affordability period.
- C. In Section \_\_-1.2 ("Definitions"): (1) adds new definitions for "common entrance," "first marketing period," "gap financing," "hotel," "HUD AMI income limit," "interim planned development-transit project" or "IPD-T project," "planned development-transit project" or "PD-T project," "second marketing period," "substantial rehabilitation," and "third marketing period;" and (2) includes "time share unit" as a term that has the same meaning as defined in ROH Section 21-10.1.
- D. In Section \_\_-1.2 ("Definitions"), revises the definition of "rail transit station area" to clarify that "draft neighborhood TOD plan" means the most current version of the plan then under consideration by the department of planning and permitting or the council at the time an application for a principal project is submitted to the department and accepted as complete, commencing with the first public review draft released by the director of planning and permitting to the community for review and comment. Council committee drafts of a plan are deemed under consideration by the council after they have been placed on a full council agenda for public hearing or adoption. Council floor drafts of a plan are deemed under consideration by the council after the council has amended the plan to the floor draft version.
- E. In Section \_\_-1.3 ("Applicability"), provides that the affordable housing requirement applies to projects involving new construction of ten or more total for-sale dwelling units or the conversion of hotels, offices, or rental units into multifamily dwellings containing ten or more total for-sale dwelling units. Also deletes applicability of the affordable housing requirement to the substantial rehabilitation of ten or more dwelling units.

- F. In Section \_\_-1.3(b), adds new subdivisions (10) and (11) to exclude the following from applicability of the affordable housing requirement, respectively:
- Time share units; or
  - Any development for which: (1) at least 75 percent of the total number of dwelling units in the development are sold to households earning 120 percent and below of the AMI; or (2) all of the dwelling units in the development are sold to households earning no more than the HUD AMI income limit, and at least 20 percent of those units are sold to households earning 100 percent and below of the AMI.
- G. In Table \_\_-1.4:
- Categorizes projects as: (1) IPD-T projects, PD-T projects, or TOD special district projects seeking bonus height or density, or both; or (2) all areas, excluding IPD-T projects, PD-T projects, or TOD special district projects seeking bonus height or density, or both.
  - Provides that for IPD-T projects, PD-T projects, or TOD special district projects seeking bonus height or density, or both, any affordable dwelling units being provided as a community benefit to justify increased height or density, or both, must be in addition to the base affordable housing requirements for IPD-T, PD-T, or TOD special district projects.
  - Establishes three options for providing for-sale affordable dwelling units with varying affordable housing requirement percentage amounts, based on the length of the affordability period.
  - Adjusts the affordable housing requirement percentage amounts for off-site for-sale affordable housing based on whether the affordable units are located within or outside of the rail transit station area or development plan area in which the principal project is located.
  - Adds options relating to payment of an in-lieu fee or the provision of improved land to satisfy the affordable housing requirement.
  - Provides that for IPD-T projects, PD-T projects, or TOD special district projects seeking bonus height or density, or both, an in-lieu fee can only be used to satisfy the portion of the base affordable housing requirements applicable to those projects that are in excess of the affordable housing requirements that otherwise apply to all areas.
- H. In Section \_\_-1.4(b), relating to on-site production, requires that affordable units and market-rate units in the same multifamily dwelling must share common entrances.

- I. In Section \_\_-1.4(c), relating to the off-site production of affordable dwelling units, provides that: (1) off-site for-rental affordable housing must be located within the the same rail transit station area or development plan area as the principal project, provided that the DPP director shall have the discretion to allow the satisfaction of off-site production in other areas of the city; and (2) off-site for-sale affordable housing may be located within or outside of the relevant rail transit station area or development plan area in which the principal project is located, in accordance with the required percentage amounts in Table \_\_-1.4.
- J. Adds Section \_\_-1.4(d), relating to the payment of an in-lieu fee as a way to satisfy the affordable housing requirement. Payment of an in-lieu fee for projects with more than 25 dwelling units must be approved by the council.
- K. Adds Section \_\_-1.4(e), relating to the conveyance of improved land as a way to satisfy the affordable housing requirement.
- L. In Section \_\_-1.5 ("Affordability period"), with regard to for-sale affordable dwelling units, provides that the units must remain affordable for not less than the period specified in Table \_\_-1.4 based on the applicable percentage of the total number of dwelling units in the principal project being provided as affordable dwelling units.
- M. Adds a new Section \_\_-1.6, which establishes four marketing periods that apply to for-rental and for-sale affordable dwelling units. All affordable dwelling units must be rented or sold at prices affordable to households earning the percentage of the AMI specified in Table \_\_-1.4; provided that:
- During the first 120-day marketing period, affordable dwelling units must be marketed, and rented or sold to households earning the percentage of the AMI specified in Table \_\_-1.4;
  - During the second 120-day marketing period, affordable dwelling units may be marketed, and rented or sold to households earning the percentage of the AMI that is 20 percent higher than the percentage of the AMI specified in the first marketing period, provided that the percentage of the AMI cannot exceed the HUD AMI income limit;
  - During the third 120-day marketing period, affordable dwelling units may be marketed, and rented or sold to households earning the percentage of the AMI that is 20 percent higher than the percentage of the AMI specified in the second marketing period, provided that the percentage of the AMI cannot exceed the HUD AMI income limit; and

- During the last marketing period, affordable dwelling units may be marketed, and rented or sold to households earning not more than the HUD AMI income limit.
- N. Adds a new Section \_\_-1.7, which requires the deposit of in-lieu fees collected into a special account within the general fund, and restricts the use thereof. Renumbers subsequent sections.
- O. In renumbered Section \_\_-1.11(c)(3), provides that affordable rental dwelling units will be subject to annual monitoring by a private compliance monitoring service, the fees for which will be paid by the owner of affordable rental dwelling unit directly to the private compliance monitoring service.
- P. In renumbered Section \_\_-1.12 ("Rules"), provides that at a minimum, the DPP Director shall adopt administrative rules to:
- (1) Regulate the resale of affordable dwelling units under Section \_\_-1.5 to ensure the units remain within the same AMI range, as adjusted from time-to-time; and
  - (2) Establish an affordable housing compliance monitoring program, to be administered by a third party, to manage and implement the for-rental and for-sale affordable dwelling units created in compliance with the ordinance, for purposes of ensuring compliance with affordability requirements and periods. In addition, requires that at a minimum, the affordable housing compliance monitoring program must address the performance of certain functions set forth in the ordinance.
- Q. Adds a new SECTION 3 to the bill, which provides that no later than five years after the effective date of the ordinance, the director shall submit to the Council a status report assessing the effectiveness of the ordinance in creating new affordable dwelling units in the City, and the efficiency of the affordable housing compliance monitoring program in administering the requirements of the ordinance. Renumbers subsequent bill sections.



**CITY COUNCIL**  
CITY AND COUNTY OF HONOLULU  
HONOLULU, HAWAII

ORDINANCE \_\_\_\_\_

BILL **58 (2017), CD2**

**A BILL FOR AN ORDINANCE**

**PROPOSED**

ESTABLISHING AN AFFORDABLE HOUSING REQUIREMENT.

BE IT ORDAINED by the People of the City and County of Honolulu:

**SECTION 1. Purpose, findings, and intent.**

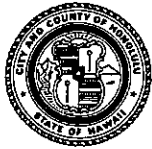
The purpose of this ordinance is to increase the production of affordable housing, to encourage dispersal of affordable housing throughout the City and County of Honolulu, and to maintain the units as affordable for a long period of time.

For decades, the City and County of Honolulu has grappled with a critical shortage of affordable housing. This problem grows worse by the year and threatens to undermine our quality of life and permanently erode the City's social and economic foundations so as to jeopardize its order and security. The Mayor's Affordable Housing Strategy (September 2015) summarized these affordable housing needs and proposed strategic actions relating to policies, incentives, regulations, programs, financial tools, and investments.

This ordinance regulates the development and use of real property within the City to promote the public welfare by implementing one of the key strategies set forth in the Mayor's Affordable Housing Strategy, which involves ensuring that housing production, rehabilitation, and preservation address the needs of all income groups. The ultimate goal of this ordinance is to help Oahu address its housing crisis and to build and maintain a more diverse and affordable housing stock over time.

This ordinance builds on the City's current policy of requiring a certain percentage of dwelling units to be affordable in new housing projects for which a zone change is requested. That policy has allowed many families to become first-time homeowners, but it has not provided a significant number, or supply, of long-term affordable dwelling units for sale or for rental. In as little as four years, the affordable for-sale homes may be resold by the buyer at market prices, which would eliminate them from the affordable housing inventory.

The affordable housing requirement under this ordinance prioritizes the production of affordable rental housing for lower-income households. For-rental affordable units must remain affordable for at least 30 years, and for-sale affordable units must remain affordable for varying periods based on the percentage of the total number of dwelling units in the project being provided. The requirement offers flexibility to reflect varying construction and economic challenges in different types of housing projects. Options include the ability to locate different types of affordable housing on-



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site or off-site, to provide for-sale or for-rental units, or to pay an in-lieu fee or provide improved land.

SECTION 2. The Revised Ordinances of Honolulu 1990 is amended by adding a new chapter to be appropriately designated by the Revisor of Ordinances and to read as follows:

"Chapter \_\_\_\_

### **AFFORDABLE HOUSING REQUIREMENT**

#### **Article 1. General Affordable Housing Requirements**

##### **Sec. \_\_\_\_-1.1 Purpose.**

This chapter establishes a regulatory scheme for the development and use of real property within the city to promote the public welfare. It requires certain projects intended for residential use to contribute to the affordable housing supply by either constructing new dwelling units, substantially rehabilitating existing dwelling units, paying a fee in lieu of such construction or rehabilitation, or providing improved land for affordable housing.

##### **Sec. \_\_\_\_-1.2 Definitions.**

As used in this chapter, unless the context requires otherwise:

"Area median income" or "AMI" means the median income determined by HUD annually for the Honolulu Metropolitan Statistical Area as adjusted for household size.

"Common entrance" means any area regularly used by any resident for ingress to and egress from a multifamily dwelling.

"Declarant" means the person executing the affordable housing agreement and the declaration of restrictive covenants required by Section \_\_\_\_-1.9.

"Department" means the department of planning and permitting.

"Development agreement" means the same as that described and authorized under Chapter 33.



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"Development plan area" means the area specified within the city's approved development/sustainable communities plan for that specific region of Oahu.

"Director" means the director of planning and permitting, or the director's authorized representative.

"First marketing period" means the first 120 days during which an affordable dwelling is marketed, and may be rented or sold, as applicable, to households earning the applicable AMI.

"Gap financing" means the affordability gap subsidy required for prospective buyers in qualifying households earning no more than the HUD AMI income limit to purchase a dwelling unit.

"Hotel" means the same as defined in Section 21-10.1, and also condo-hotels owned under a condominium property regime.

"HUD" means the United States Department of Housing and Urban Development.

"HUD AMI income limit" means the maximum household income limit for a household to be eligible for HUD assisted housing programs, as published annually by HUD.

"Interim planned development-transit project" or "IPD-T project" means a project for which an application for a permit is submitted pursuant to Section 21-9.100-5.

"Legal obligation" means an obligation or duty that is enforceable by a court of law, including but not limited to requirements or conditions imposed by unilateral agreements, development agreements, HRS Chapter 201H, or the State of Hawaii's low-income housing tax credit program.

"Micro-unit" means a dwelling unit totaling 300 square feet or less of floor area.

"Off-site" means construction or other activities that occur on a zoning lot other than the project site.

"On-site" means construction or other activities that occur on the project site.

"Person" means an individual, partnership, association, corporation, limited liability company, or any other form of legal entity.



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"Planned development-transit project" or "PD-T project" means a project for which an application is submitted pursuant to Section 21-9.100-10.

"Principal project" means a project containing a building or group of buildings with dwelling units and as to which the requirement to provide affordable dwelling units is imposed pursuant to this chapter.

"Project site" means one or more zoning lots that are developed under a single or unified project concept.

"Rail transit station area" means the TOD special district, as defined in Section 21-9.100. Where there is no adopted boundary under Chapter 21, then the boundaries reflected in the adopted neighborhood TOD plan will apply. Where there is no adopted neighborhood TOD plan, then the boundaries reflected in the draft neighborhood TOD plan at the time the application for the principal project is submitted to the department and accepted as complete will apply. As used herein, "draft neighborhood TOD plan" means the most current version of the plan then under consideration by the department or the council, commencing with the first public review draft released by the director to the community for review and comment. Council committee drafts of a plan are deemed under consideration by the council after they have been placed on a full council agenda for public hearing or adoption. Council floor drafts of a plan are deemed under consideration by the council after the council has amended the plan to the floor draft version. Where there is no neighborhood TOD plan that has been adopted or that is under consideration, then the area within, including properties intersecting, a one-half mile radius of a future rail transit station identified in the Honolulu High Capacity Transit Corridor Project Environmental Impact Statement, accepted by the Governor of the State of Hawaii on December 16, 2010, and any future amendments or supplements thereto, will apply.

"Rental" or "for-rental" means a dwelling unit that is leased or rented for a term of between 30 days and 30 years in length.

"Sale" or "for-sale" means a dwelling unit that is for sale in fee simple or in leasehold with a term of 30 years or more.

"Second marketing period" means the 120-day period immediately following the first marketing period, during which an affordable dwelling is marketed, and may be rented or sold, as applicable, to households earning the applicable AMI.

"Special needs housing" means housing that is used to provide living accommodations and, in some cases, care services for certain segments of the population with special living requirements, which include the elderly; persons with





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physical, mental, or behavioral disabilities; persons with human immunodeficiency virus/acquired immune deficiency syndrome; or persons with alcohol or drug addiction. Often such housing includes special features, such as congregate dining and social rooms; laundry, housekeeping, and personal assistance services; shuttle bus services for project residents; and skilled nursing beds or physical therapy clinics.

"Substantial rehabilitation" means:

- (1) Improvement of a property to a decent, safe, and sanitary condition that requires more than routine or minor repairs or improvements. It may include but is not limited to gutting and extensive reconstruction of a dwelling unit, or cosmetic improvements coupled with the curing of a substantial accumulation of deferred maintenance; or
- (2) Renovation, alteration, or remodeling to convert or adapt structurally sound property to the design and condition required for a specific use, such as conversion of a hotel to housing for elders.

"Third marketing period" means the 120-day period immediately following the second marketing period, during which an affordable dwelling is marketed, and may be rented or sold, as applicable, to households earning the applicable AMI.

"TOD" means transit-oriented development.

"TOD special district project" means a project for which an application for a major TOD special district permit is submitted pursuant to Section 21-9.100-9.

"Unilateral agreement" means the same as that described and authorized under Section 21-2.80.

For purposes of this chapter, the following terms have the meanings given to such terms as set forth in Section 21-10.1: "accessory dwelling unit," "development," "dwelling unit," "dwelling, multifamily," "floor area," "group living facilities," "ohana dwelling unit," "time share unit," and "zoning lot."

### **Sec. \_\_-1.3 Applicability.**

(a) This chapter applies to any of the following:

- (1) New construction of ten or more for-sale dwelling units developed under a single or unified project concept, on one or more zoning lots;



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- (2) Any subdivision of land creating ten or more zoning lots for residential use in residential, apartment, apartment mixed use, business mixed use, country, or agricultural zoning districts;
- (3) Conversion of hotels, offices, or other uses into multifamily dwellings containing ten or more total for-sale dwelling units; or conversion of rental dwelling units into for-sale dwelling units containing ten or more total for-sale dwelling units; or
- (4) Any of the following that include ten or more for-sale dwelling units:
  - (A) Cluster housing permits;
  - (B) Planned development housing permits; or
  - (C) Multi-family dwelling units.
- (b) This chapter does not apply to any of the following:
  - (1) Any development subject to a unilateral agreement or development agreement approved by the city and recorded prior to the effective date of this ordinance;
  - (2) Any subdivision granted tentative approval of the preliminary subdivision map prior to the effective date of this ordinance;
  - (3) Any building permit, cluster housing permit, or planned development housing permit application submitted and accepted as complete prior to the effective date of this ordinance;
  - (4) Any development that meets or exceeds all aspects of the applicable affordable housing requirements of this chapter pursuant to affordable housing requirements imposed by a legal obligation;
  - (5) Micro-units;
  - (6) Accessory dwelling units;
  - (7) Ohana dwelling units;
  - (8) Group living facilities;



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- (9) Special needs housing;
- (10) Time share units; or
- (11) Any development for which:
  - (A) At least 75 percent of the total number of dwelling units in the development are sold to households earning 120 percent and below of the AMI; or
  - (B) All of the dwelling units in the development are sold to households earning no more than the HUD AMI income limit, and at least 20 percent of those units are sold to households earning 100 percent and below of the AMI.

**Sec. \_\_-1.4 Affordable housing requirement.**

- (a) The affordable housing requirements set forth in Table \_\_-1.4 of this subsection apply to all projects subject to this chapter pursuant to Section \_\_-1.3. The requirements must be met by satisfying one or a combination of the options in this section subject to the director's approval. If a combination of options is used, the declarant shall designate the proportionate share of the affordable housing requirement that each option will fulfill, and the sum of the proportionate shares must equal or exceed one. Fulfillment of the requirement may account for varying unit sizes, lower income ranges, rounding, or other factors, subject to the director's approval, as established in rules adopted pursuant to Section \_\_-1.12. Affordable for-sale dwelling units must be owner occupied.



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TABLE __-1.4				
AFFORDABLE HOUSING REQUIREMENT PROVISIONS, AS A PERCENTAGE OF THE TOTAL NUMBER OF DWELLING UNITS IN THE PRINCIPAL PROJECT				
Principal Project Location	For Sale <sup>1</sup> or For Rental <sup>2</sup>	On-Site Production <sup>3</sup>	Off-Site Production <sup>3</sup>	In-Lieu Fee <sup>4</sup> or Conveyance of Land
The following requirements take effect on the effective date of this ordinance.				
IPD-T projects, PD-T projects, or TOD special district projects seeking bonus height or density, or both <sup>5</sup>	For Sale	30 percent <sup>6</sup>	30 percent <sup>9,6</sup>	In lieu fee <sup>13</sup> or conveyance of land
			35 percent <sup>10,6</sup>	
		20 percent <sup>7</sup>	20 percent <sup>9,7</sup>	
			25 percent <sup>10,7</sup>	
		10 percent <sup>8</sup>	10 percent <sup>9,8</sup>	
	15 percent <sup>10,8</sup>			
For Rental	15 percent			
All areas, excluding IPD-T projects, PD-T projects, or TOD special district projects seeking bonus height or density, or both	For Sale	15 percent <sup>6</sup>	15 percent <sup>11,6</sup>	In lieu fee or conveyance of land
			20 percent <sup>12,6</sup>	
		10 percent <sup>7</sup>	10 percent <sup>11,7</sup>	
			15 percent <sup>12,7</sup>	
		5 percent <sup>8</sup>	5 percent <sup>11,8</sup>	
	10 percent <sup>12,8</sup>			
For Rental	5 percent			
<div>(1) For-sale affordable dwelling units must be sold to households earning 120 percent and below of the AMI. At least one-half of those units must be sold to households earning 100 percent and below of the AMI.</div> <div>(2) For-rental affordable dwelling units must be rented to households earning 80 percent and below of the AMI.</div> <div>(3) Any on-site or off-site affordable dwelling unit provided through substantial rehabilitation will count as one unit.</div> <div>(4) The in-lieu fee will be established and periodically adjusted by rules adopted by the director pursuant to Section __-1.12.</div> <div>(5) The affordable housing requirements for IPD-T projects, PD-T projects, or TOD special district projects seeking bonus height or density, or both, are base affordable housing requirements. If affordable dwelling units are being provided as a community benefit to justify increased height or density, or both, the affordable dwelling units being provided as a community benefit must be in addition to the base affordable housing requirements for IPD-T, PD-T, or TOD special district projects.</div>				



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- (6) For-sale affordable dwelling units must remain affordable for not less than five years after the date when the unit is initially sold to a qualified buyer.
- (7) For-sale affordable dwelling units must remain affordable for not less than 10 years after the date when the unit is initially sold to a qualified buyer.
- (8) For-sale affordable dwelling units must remain affordable for not less than 30 years after the date when the unit is initially sold to a qualified buyer.
- (9) Applies to off-site production of affordable housing that is located within the same rail transit station area as the principal project.
- (10) Applies to off-site production of affordable housing that is located outside of rail transit station area in which the principal project is located.
- (11) Applies to off-site production of affordable housing that is located within the same rail transit station area as the principal project; or, if the principal project is not located in a rail transit station area, the off-site production of affordable housing that is located within the same development plan area as the principal project.
- (12) Applies to off-site production of affordable housing that is located outside of rail transit station area in which the principal project is located; or, if the principal project is not located in a rail transit station area, the off-site production of affordable housing that is located outside of the development plan area in which the principal project is located.
- (13) For IPD-T projects, PD-T projects, or TOD special district projects seeking bonus height or density, or both, an in-lieu fee can only be used to satisfy the portion of the base affordable housing requirements applicable to those projects that are in excess of the affordable housing requirements that otherwise apply to all areas.



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- (b) On-site production. Affordable dwelling units, for-rental or for-sale, are constructed on the same project site as the principal project. The required number of affordable dwelling units constructed on-site is specified in Table \_\_\_-1.4. Affordable units and market-rate units in the same multifamily dwelling must share common entrances.
- (c) Off-site production. Affordable dwelling units, for-rental or for-sale, are constructed off-site from the project site on which the principal project is located. The required number of affordable dwelling units constructed off-site is specified in Table \_\_\_-1.4.
  - (1) Off-site production of for-rental dwelling units to satisfy the affordable housing requirement for principal projects located within a rail transit station area must be satisfied within the same rail transit station area in which the principal project is located; provided that upon a showing of good cause, and subject to terms and conditions approved by the director, the director shall have the discretion to allow the satisfaction of off-site production in other areas of the city.
  - (2) Off-site production of for-rental dwelling units to satisfy the affordable housing requirement for principal projects located outside of any rail transit station area must be satisfied within the same development plan area in which the principal project is located; provided that upon a showing of good cause, and subject to terms and conditions approved by the director, the director shall have the discretion to allow the satisfaction of off-site production in other areas of the city.
  - (3) Off-site production of for-sale dwelling units to satisfy the affordable housing requirement for principal projects located within a rail transit station area may be satisfied within or outside of the same rail transit station area in which the principal project is located, in accordance with the required percentage amounts in Table \_\_\_-1.4.
  - (4) Off-site production of for-sale dwelling units to satisfy the affordable housing requirement for principal projects located outside of any rail transit station area may be satisfied within or outside of the same development plan area in which the principal project is located, in accordance with the required percentage amounts in Table \_\_\_-1.4.
- (d) In-lieu fee. A cash contribution ("in lieu fee") paid to the city. In lieu of providing the on-site production or off-site production required by this chapter, the director may, upon a showing by the developer of "good cause" as it is defined in rules



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adopted by the director pursuant to Section \_\_\_-1.12, allow the developer of projects with 25 dwelling units or less to pay to the city an in-lieu fee. Payment of an in-lieu fee for projects with more than 25 dwelling units must be approved by the council, and will be evaluated for "good cause" using the same guidelines established by the director. If the director finds that the developer of a project with more than 25 dwelling units has demonstrated good cause for the in-lieu fee, the director shall prepare and submit to the council a report on the proposed payment of an in-lieu fee, which report shall include the director's findings and recommendations thereon and a proposed resolution approving the payment of an in-lieu fee. The council may approve or deny the payment of an in-lieu fee by resolution. If the council fails to take final action on within 60 days after receipt of the director's report, the payment of an in-lieu fee will be deemed to be denied.

Notwithstanding the foregoing, the provision of on-site or off-site units are the preferred options, and payment of an in-lieu fee is only allowed if no suitable on-site or off-site location is available or if the developer's financing arrangements preclude the developer's participation in off-site projects.

The in-lieu fee will be established and may be periodically adjusted by rules adopted by the director pursuant to Section \_\_\_-1.12; provided that effective January 1 of each year, the director shall adjust the in-lieu fee by a factor equal to the most recently published Consumer Price Index for All Urban Consumers (CPI-U), with the base year established as of the effective date of this ordinance.

- (e) Conveyance of land. In circumstances where an in-lieu fee would be allowed, conveyance of improved land in fee simple to the city or a third party approved by the director. Such land may be located on-site or off-site of the project site at a location approved by the director, must be zoned and suitable for the construction of affordable dwelling units, and must be improved with all necessary off-site infrastructure completed to city standards to the property boundary line. The appraised value of the real property conveyed must, at a minimum, be equal to the in-lieu fee, and the city may refuse to accept any real property if it requires the payment by the city for any market value in excess of the in-lieu fee. The director, with the advice and consent of the director of land management, shall determine whether to accept and approve such land to satisfy the affordable housing requirement.

**Sec. \_\_\_-1.5   Affordability period.**

- (a) For-rental affordable dwelling units created in compliance with this chapter must be rented to households earning the percentage of the AMI specified in Table \_\_\_-1.4, at prices affordable to such households, and must remain



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affordable for not less than 30 years after the date when the unit is initially rented to a qualified renter.

- (b) For-sale affordable dwelling units created in compliance with this chapter must be offered for sale to households earning the percentage of the AMI specified in Table \_\_\_-1.4, at prices affordable to such households, and must remain affordable for not less than the period specified in Table \_\_\_-1.4, based on the applicable percentage of the total number of dwelling units in the principal project being provided as affordable dwelling units.
- (c) The department may establish administrative rules to regulate the resale of affordable dwelling units to ensure the units remain within the same AMI range, as adjusted from time to time.

**Sec. \_\_\_-1.6 Marketing period.**

For-rental and for-sale affordable dwelling units created in compliance with this chapter must be marketed as follows:

- (a) During the first marketing period, affordable dwelling units must be marketed, and may be rented or sold, as applicable, to households earning the percentage of the AMI specified in Table \_\_\_-1.4, at prices affordable to such households.
- (b) If, at the end of the first marketing period, the declarant has been unable to obtain a contract for the rental or sale of an affordable dwelling unit to a qualified renter or purchaser, then during the second marketing period, the affordable dwelling unit may be marketed, and rented or sold, as applicable, to households earning the percentage of the AMI that is 20 percent higher than the percentage of the AMI specified in the first marketing period, provided that the percentage of the AMI cannot exceed the HUD AMI income limit; but at prices affordable to households earning the percentage of the AMI specified in Table \_\_\_-1.4.
- (c) If, at the end of the second marketing period, the declarant has been unable to obtain a contract for the rental or sale of an affordable dwelling unit to a qualified renter or purchaser, then during the third marketing period, the affordable dwelling unit may be marketed, and rented or sold, as applicable, to households earning the percentage of the AMI that is 20 percent higher than the percentage of the AMI specified in the second marketing period, provided that the percentage of AMI cannot exceed the HUD AMI income limit; but at prices affordable to households earning the percentage of the AMI specified in Table \_\_\_-1.4.





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- (d) If, at the end of the third marketing period, the declarant has been unable to obtain a contract for the rental or sale of an affordable dwelling unit to a qualified renter or purchaser, then the affordable dwelling unit may be marketed, and rented or sold, as applicable, to households earning not more than the HUD AMI income limit; but at prices affordable to households earning the percentage of the AMI specified in Table \_\_-1.4.

**Sec. \_\_-1.7 Affordable housing development account.**

In-lieu fees paid pursuant to this chapter will be collected by the director and deposited into a special account or subaccount within the general fund for each development plan area, and may only be used as follows:

- (a) To fund projects that would qualify for affordable housing fund monies under Section 6-63.2; provided the project is within the same development plan area in which the principal project is located; or
- (b) To provide gap financing for privately developed affordable housing projects within the same development plan area in which the principal project is located.

**Sec. \_\_-1.8 Appeals.**

Appeals from the decision of the director must be filed within 30 days of the mailing or service of the director's decision.

**Sec. \_\_-1.9 Procedures.**

- (a) As a condition of and prior to final approval of any permit or approval for a project that contains ten or more for-sale dwelling units or lots, including without limitation subdivision applications, cluster housing permits, planned development housing permits, or building permits, the permit applicants shall execute an affordable housing agreement acceptable to the director and execute and record a declaration of restrictive covenants that encumbers the project site and any off-site zoning lot that is used to satisfy the affordable housing requirement imposed in connection with the principal project and that describes the affordable housing requirements acceptable to the director, including without limitation, the enforcement of such requirements. If the permit applicants are not the fee owners of the project site and any applicable off-site zoning lot used to satisfy the affordable housing requirement, the affordable housing agreement and the declaration of restrictive covenants must also be executed by all of the fee owners of those parcels. The director may defer the requirement to record the declaration of restrictive covenants until a time not later than issuance of the first



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building permit for a dwelling unit or as otherwise acceptable to the director. The form and content of the declaration will be subject to the director's approval and the city must be a party. The declaration must be recorded in the bureau of conveyances (regular system) or the office of the assistant registrar of the land court of the State of Hawaii, or both, as appropriate. The term of the declaration of restrictive covenants must be for the period of affordability and shall run with the land and bind and give notice to all subsequent grantees, assignees, mortgagees, lienors, and any other person who claims an interest in the project site or any zoning lot on which the affordable housing requirement is being satisfied.

- (b) On an annual basis, the declarant shall submit a written status report to the director documenting the declarant's compliance with the affordable housing requirement of this article. The status report must be submitted to the director by December 31 of each year until such time as the term of the declaration of restrictive covenants expires.

**Sec. \_\_-1.10 Violation.**

A breach of the restrictive covenants recorded under Section \_\_-1.8 with respect to a project may result in civil enforcement and the city may seek to enforce the terms of the restrictive covenants by appropriate action at law or suit in equity against the parties and their successors and assigns. The director may take appropriate action to terminate or stop the project until applicable conditions are met, including but not limited to revoking any permits issued for the project and withholding issuance of other permits related to the project.

**Sec. \_\_-1.11 Administration and fees.**

- (a) The director shall administer this article.
- (b) Fees for the administration and implementation of this article will be assessed on the owners of for-sale affordable dwelling units and the occupants of for-rental affordable dwelling units subject to this chapter.
- (c) Applicable fees.
- (1) For-sale affordable dwelling units will be subject to an annual monitoring fee of \$50.00 per unit.



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- (2) For-sale affordable dwelling units will be subject to a fee of \$600.00 per unit each and every time the real property title of the unit changes pursuant to Section \_\_\_-1.5.
- (3) For-rental affordable dwelling units will be subject to annual monitoring by a private compliance monitoring service, the fees for which will be paid by the owner of an affordable rental dwelling unit directly to the private compliance monitoring service.
- (d) The director may take action to refer delinquent payments of fees pursuant to this section to a debt collector on behalf of the city.
- (e) All monies collected from fees pursuant to this section will be deposited into a special account within the general fund, and may only be used for the administration and implementation of this chapter.

### **Sec. \_\_\_-1.12 Rules.**

- (a) The director may adopt rules pursuant to HRS Chapter 91 to implement, administer, and enforce this chapter.
- (b) At a minimum, the director shall adopt rules to:
  - (1) Regulate the resale of affordable dwelling units under Section \_\_\_-1.5 to ensure the units remain within the same AMI range, as adjusted from time-to-time; and
  - (2) Establish an affordable housing compliance monitoring program, to be administered by a third party, to manage and implement the for-rental and for-sale affordable dwelling units created in compliance with this chapter, for purposes of ensuring compliance with affordability requirements and periods. At a minimum, the affordable housing compliance monitoring program must address the performance of the following functions:
    - (a) Maintenance of an affordable housing database;
    - (b) Compliance investigations;
    - (c) Responses to inquiries; and
    - (d) Income verifications."



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SECTION 3. No later than five years after the effective date of this ordinance, the Director of Planning and Permitting shall submit to the Council a status report assessing the effectiveness of the new chapter enacted in Section 2 of this ordinance in creating new affordable dwelling units in the City, and the efficiency of the affordable housing compliance monitoring program in administering the requirements of the new article. At a minimum, the status report must evaluate the sufficiency, success, and usefulness of the following, and recommend whether any adjustments are needed:

- (1) Applicability provisions;
- (2) All requirements in Table \_\_-1.4;
- (3) Affordability period provisions;
- (4) Marketing period provisions; and
- (5) Administrative fee amounts.

SECTION 4. In Section 2 of this ordinance, the Revisor of Ordinances shall, pursuant to the Revisor of Ordinances' authority under Section 1-16.3(b)(1), Revised Ordinances of Honolulu 1990, replace the phrase "effective date of this ordinance," with its actual effective date.



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SECTION 5. This ordinance takes effect upon its approval.

INTRODUCED BY:

Ron Menor (br)

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DATE OF INTRODUCTION:

May 25, 2017

Honolulu, Hawaii

\_\_\_\_\_  
Councilmembers

APPROVED AS TO FORM AND LEGALITY:

\_\_\_\_\_  
Deputy Corporation Counsel

APPROVED this \_\_\_\_\_ day of \_\_\_\_\_, 20 \_\_\_\_\_.

\_\_\_\_\_  
KIRK CALDWELL, Mayor  
City and County of Honolulu